

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET DOMINANT PRODUCT PRICES
INBOUND MARKET DOMINANT MULTI-SERVICE AGREEMENTS
WITH FOREIGN POSTAL OPERATORS
CANADA POST CORPORATION - UNITED STATES POSTAL
SERVICE BILATERAL AGREEMENT (MC2010-35)
NEGOTIATED SERVICE AGREEMENT

Docket No.
R2012-5

**NOTICE OF UNITED STATES POSTAL SERVICE OF TYPE 2 RATE ADJUSTMENT,
AND NOTICE OF FILING FUNCTIONALLY EQUIVALENT AGREEMENT**
(November 23, 2011)

Pursuant to authorization from its Governors, the United States Postal Service (Postal Service) hereby provides notice of a Type 2 rate adjustment, in accordance with 39 C.F.R. § 3010.40 *et seq.*, that results in improvement over default rates established under the Universal Postal Union (UPU) Acts for inbound letter-post items. This notice concerns the inbound portion of a bilateral agreement with Canada Post Corporation (“Canada Post” or “CPC”), which is functionally equivalent to the Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 contracts added to the market dominant product list.¹ As the Commission is aware, this is not the first bilateral agreement between the Postal Service and Canada Post. However, this year’s renegotiation of the agreement presents the first opportunity to include this bilateral with the other agreements of its kind in this grouping.

¹ PRC Order No. 549, Order Adding Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 to the Market Dominant Product List and Approving Included Agreements, Docket Nos. MC2010-35, R2010-5, and R2010-6, September 30, 2010; PRC Order No. 700, Order Approving Rate Adjustment for Hongkong Post - United States Postal Service Letter Post Bilateral Agreement Negotiated Service Agreement, Docket No. R2011-4, March 18, 2011; PRC Order No. 871, Order Concerning an Additional Inbound Negotiated Service Agreement, Docket No. R2011-7, September 23, 2011.

Attachment 1 to this Notice is the Postal Service's application for non-public treatment of these materials. A redacted copy of the agreement is included in the public version of this filing as Attachment 2.² The full text of the agreement and supporting financial documentation are being filed separately under seal with the Commission. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

I. Notice of Agreement and Rate Adjustment

A. Satisfaction of the Criteria under Part 3010, Subpart D of the Rules of Practice and Procedure

The Postal Service provides the following answers, descriptions, and affirmations in response to the criteria for contents of a notice of agreement in support of a negotiated service agreement, as provided in 39 C.F.R. § 3010.42. This statement provides support for the implementation of the Agreement and the establishment of the rates offered therein.

(a) ... [A] notice of agreement that shall include at a minimum:

- (1) A copy of the negotiated service agreement;*
- (2) The planned effective date(s) of the proposed rates;*
- (3) A representation or evidence that public notice of the planned changes has been issued or will be issued at least 45 days before the effective date(s) for the proposed new rates; and*
- (4) The identity of a responsible Postal Service official who will be available to provide prompt responses to requests for clarification from the Commission.*

A copy of the agreement is being filed under seal in connection with this filing.

The agreement's inbound market dominant rates are planned to become effective on

² The text of the agreement is marked "Draft," because the exchange of drafts concerning the exact wording of the terms and conditions of the agreement continue. The Postal Service does not expect any substantive changes to the rates, the operational terms or the financial liability provisions of the agreement, as those negotiations have successfully concluded. A final signed version of the agreement will be filed with the Commission and the Department of State prior to December 31, 2011,

January 7, 2012.³ Public notice of these rates is being given through this Notice at least 45 days before the effective date. Ms. Lea Emerson, Executive Director, International Postal Affairs, will be available to provide prompt responses to requests for clarification from the Commission.

(b) A statement identifying all parties to the agreement and a description clearly explaining the operative components of the agreement.

The parties to the agreement are the United States Postal Service and Canada Post. This agreement includes negotiated pricing and settlement for various inbound letter-post products

(c) Details regarding the expected improvements in the net financial position or operations of the Postal Service. The projection of change in net financial position as a result of the agreement shall include for each year of the agreement:

- (1) The estimated mailer-specific costs, volumes, and revenues of the Postal Service absent the implementation of the negotiated service agreement;*
- (2) The estimated mailer-specific costs, volumes, and revenues of the Postal Service which result from implementation of the negotiated service agreement;*
- (3) An analysis of the effects of the negotiated service agreement on the contribution to institutional costs from mailers not party to the agreement; and*
- (4) If mailer-specific costs are not available, the source and derivation of the costs that are used shall be provided, together with a discussion of the currency and reliability of those costs and their suitability as a proxy for the mailer-specific costs.*

The agreement with Canada Post is expected to improve the financial performance over the default UPU rates that the Postal Service would receive, and it is expected to continue improvements to operational performance established under prior

³ By a separate request to be filed in PRC Docket No. R2012-2, the Postal Service seeks the Commission's approval to maintain the current market dominant negotiated service agreement on the Mail Classification Schedule until the new proposed rates become effective.

similar agreements with Canada Post. New provisions will make additional operational improvements and have a positive impact on other factors as well. The Postal Service provides the required information about expected financial improvements, costs, volumes, and revenues in the financial workpapers that it filed under seal with this Notice. Operational and other improvements that are expected to flow from this agreement are described below.

(d) An identification of each component of the agreement expected to enhance the performance of mail preparation, processing, transportation or other functions in each year of the agreement, and a discussion of the nature and expected impact of each such enhancement.

For the Canada Post agreement, operational and other improvements include:

- Utilization of a web-based inquiry system to improve customer service response time when inquiries are made for the loss of, damage to, or missing contents from parcels;
- Settlement processes based on exchange of electronic data from the pre-advice of dispatch. Using the electronic data will reduce accounting errors and make it possible to settle accounts more quickly.

(e) Details regarding any and all actions (performed or to be performed) to assure that the agreement will not result in unreasonable harm to the marketplace.

While it should improve financial and operational performance for the Postal Service, this agreement will not result in unreasonable harm to the marketplace, as past experience has demonstrated. Canada Post maintains a dominant position in the market for letter-post originating in its home country. Therefore, Canada Post is the only entity in a position to avail itself of an agreement with the Postal Service of this type

and scope. The United States' Private Express Statutes also generally prohibit entities other than the Postal Service from carrying inbound international letters commercially after entry at a U.S. port, at least below certain price and weight thresholds. The Postal Service is unaware of any private entity that would be able to serve the United States market for inbound letter-post from Canada on the terms and scale contemplated in this agreement.

In addition, the Postal Service and Canada Post serve as their respective countries' designated operators for the exchange of mail, including in particular letter-post, under rules set by the UPU. Designated operators ordinarily compensate one another for the delivery of letter-post in accordance with terminal dues rates set by the UPU, unless a bilateral agreement is concluded.⁴ Because no other entities are in a position to serve as designated operators for the relevant types of mail either originating in Canada or destined for the United States, and because no other entities are subject to terminal dues rates with respect to inbound letter-post to the United States from Canada, the market for the services offered under this agreement is in essence limited to its parties.

Because there is no significant competition in the relevant market when the inbound letter-post flows are considered in totality, the Postal Service submits that the agreement, which in relevant terms is unchanged from its predecessor, is as unlikely to pose competitive harm to the marketplace as the agreements of the past between the Postal Service and Canada Post.⁵

⁴ See Universal Postal Convention Article 27 ¶ 9.

⁵ This does not imply, however, that there is an absence of competition in this market. The market is liberalized to some degree, particularly for bulk business letters and heavier weight letter-post.

(f) Such other information as the Postal Service believes will assist the Commission to issue a timely determination of whether the requested changes are consistent with applicable statutory policies.

In this docket, the Postal Service is presenting only those parts of the agreement that call for delivery of letter-post in the United States that is tendered by a foreign postal operator, i.e., negotiated rates for inbound market dominant products. The rates paid by the Postal Service to Canada Post for outbound delivery of the Postal Service's products in Canada are not presented to the Commission, because those rates represent supplier costs to the Postal Service, akin to an agreement to purchase trucking services from highway contractors or air transportation from air carriers. As such, they are built into the prices that the Postal Service charges its mailing customers for outbound products, which are the subject of a different regulatory filing.

Those parts of the agreement that relate to competitive products will be the subject of regulatory review in a separate PRC docket.

B. Data Collection Plan

Under 39 C.F.R. § 3010.43, the Postal Service must include with its notice of agreement "a detailed plan for providing data or information on actual experience under the agreement sufficient to allow evaluation of whether the negotiated service agreement operates in compliance with 39 U.S.C. [§] 3622(c)(10)."⁶ The Postal Service intends to report information on this agreement through the Annual Compliance Report. The Postal Service will continue to cooperate with the Commission to provide any necessary information about mail flows from Canada within the course of the annual compliance review process. Therefore, the Postal Service proposes that no special data collection plan be created for this agreement. Furthermore, with respect to

⁶ 39 C.F.R. § 3010.43.

performance measurement, the Postal Service respectfully requests that the agreement be excepted from separate reporting under 39 C.F.R. § 3055.3(a)(3), because it is a product in the form of a negotiated service agreement with substantially all of the components of the agreement included in the measurement of existing inbound letter post flows.

C. Statutory Criteria

Under 39 U.S.C. § 3622(c)(10), the criteria for the Commission's review are whether the agreement (1) improves the net financial position of the Postal Service or enhances the performance of operational functions, (2) will not cause unreasonable harm to the marketplace, and (3) will be available on public and reasonable terms to similarly situated mailers. The first two criteria are addressed in Part IA above. With respect to the third criterion, there are no entities that are similarly situated to Canada Post in their ability to tender the broad-based letter-post flows from Canada under similar operational conditions, nor any other entities that serve as a designated operator for letter-post originating in Canada. Therefore, the Postal Service finds it difficult to conceive of a "similarly situated mailer" to which it could make a similar agreement available for each country-specific flow. Indeed, the Commission agreed in a previous review of a substantially similar agreement with Canada Post, that this conclusion was correctly drawn.⁷ Accordingly, the Postal Service views this criterion as inapplicable in this instance.

⁷ See PRC Order No. 163, Order Concerning Bilateral Agreement with Canada Post for Inbound Market Dominant Services, Docket Nos. MC2009-7 and R2009-1, December 31, 2008, at 9-10 ("Given its narrow characterization of the underlying Agreement, the Postal Service's position [as to 'similarly situated mailers'] is correct. For purposes of this proceeding, the Commission concludes that it would be largely an academic exercise to consider whether a broader characterization should be employed.").

Because all of the criteria set forth in 39 U.S.C. § 3622(c)(10) have been met, the Postal Service respectfully urges the Commission to act promptly by allowing the agreement's rates to be implemented under 39 C.F.R. § 3010.40, as requested.

II. Functional Equivalence

The Canada Post agreement is functionally equivalent to the agreements previously filed and included in the product grouping for Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1.⁸ As discussed previously, the relevant terms of the Canada Post agreement fit within the Mail Classification Schedule language for that product grouping. Therefore, the Canada Post agreement and the existing agreements conform to a common description. The agreements share a common market: Foreign postal operators designated by their countries to fulfill the obligations of the UPU Acts.

The agreements also share cost characteristics. All of the instruments contain many similar terms and conditions. All of the agreements provide rates for letter-post tendered to the Postal Service from each postal operator's territory, along with ancillary services to accompany inbound letter-post items. More importantly, with minor differences, the financial model used to generate the rates offered under the Canada Post agreement is the same as that used to generate the rates offered to the other postal operators under their agreements classified in this same market dominant product group. Even taking the minor differences into account, the methodology for determining the rates is the same. The costs underlying the agreement with Canada Post, like those of the other contracts in this product grouping, are taken from the International Cost and Revenue Analysis Report.

⁸ See footnote 1.

Therefore, the Postal Service submits that the Canada Post agreement is functionally equivalent to the earlier functionally equivalent agreements and should be added to the market dominant product list within the same product grouping. There are, however, differences between the Canada Post agreement and the existing contracts. Most of these differences reflect the longer, more well-developed nature of the business relationship between the Postal Service and CPC, which have historically been one another's largest trading partners. The CPC agreement includes a number of attachments which provide greater specificity to a number of terms and products. None of these differences have an effect on the similarity of market characteristics of the agreements, and most do not have an effect on similarity of the cost characteristics.

The Postal Service uses, for comparison purposes, the Strategic Bilateral Agreement between the United States Postal Service and Koninklijke TNT Post B.V and TNT Post PakketSERVICE Benelux B.V. ("TNT Post") in Docket No. R2010-5 ("the TNT Agreement").⁹ Both agreements share a common purpose and guiding principles and are made with a foreign postal operator that is the designated operator of its country of origin. Both are intended to remain in effect for a two year term and attempt to provide the Postal Service with rates that are more favorable than the default rates of the UPU and with operating conditions that enhance efficiency, accuracy, and customer service.

The Canada Post agreement includes performance-based financial incentives, as noted in Attachment 2, for example. The agreement found to be functionally equivalent to the Inbound Market Dominant Multi-Service Agreements with Foreign

⁹ The agreements in Docket Nos. R2010-5 and R2010-6 were added simultaneously to the market dominant product list as functionally equivalent, without indicating which would serve as the "baseline" for functional equivalence comparisons with future agreements.

Posts in PRC Docket No. R2011-7, also included language encouraging financial incentives for additional sortation of letter post items.

Likewise, differences between the presentation of the financial model used to generate the rates for this agreement and the model used to generate the rates in all the other agreements within this product are irrelevant to the determination of functional equivalence. For example, the model used to generate for all other foreign postal operators includes a “switch” on the Inputs page for application of air conveyance charges when the foreign postal operator is not within the UPU Target System. Since Canada post is in the UPU Target System, this “switch” is not needed in the model and has been removed. Other similar adjustments have been made to the model for this same reason. Also, adjustments have been made to the placement of certain calculations, but the methodology for performing the calculation remains the same. For example, the Quality of Service calculations that appear on the Inputs page in other agreements are set out on a separate page in the Canada Post financial model.

In a rote comparison of any two agreements many insubstantial differences could be noted, especially when the text is not derived from the same template agreement. In the case of contracts considered under MC2010-35, the Commission has not found these differences to rise to the level necessary to affect the cost or market characteristics associated with the negotiated service agreements with foreign postal operators such that the agreements could not be considered to be the same product. In the case of the CPC 2012-2013 agreement, the technical differences between its terms and those of the baseline agreements classified as Inbound Market Dominant Multi-Services Agreements with Foreign Postal Operators are likewise insubstantial in all

relevant respects. Therefore, the Postal Service does not consider that the differences detract from the conclusion that the Canada Post agreement is functionally equivalent to the TNT Agreement and the others in the Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 product grouping.

III. Application for Non-Public Treatment

The Postal Service maintains that certain portions of the agreement and related financial information should remain confidential. In accordance with 39 C.F.R. § 3007.21, the Postal Service files as Attachment 1 to this Request its application for non-public treatment of materials filed under seal. A full discussion of the required elements of the application appears in Attachment 1.

IV. Conclusion

For the reasons discussed, the Postal Service believes that the agreement with Canada Post discussed herein should be added to the product listing for Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1.

Respectfully submitted,

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ATTACHMENT 1

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to the inbound market dominant agreement between the Postal Service and Canada Post Corporation (Agreement) filed in this proceeding. The Agreement and supporting documents establishing compliance are being filed separately under seal with the Commission. A redacted copy of the Agreement is filed with the Request as Attachment 2. In addition, a redacted version of the supporting financial documentation is included with this public filing as a separate Excel file.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

The materials designated as non-public consist of information of a commercial nature that would not be publicly disclosed under good business practice. In the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).¹ Because the portions of the materials that the Postal Service is

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed

applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

In the case of the instant Agreement, the Postal Service believes that the only third party with a proprietary interest in the materials is the foreign postal operator with whom the contract is made. The Postal Service has already informed Canada Post Corporation (Canada Post), in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service identifies Terry Dunn, General Manager, International Relations, Canada Post Corporation, as the appropriate contact on behalf of Canada Post. Mr. Dunn's telephone number is (613) 734-8894, and his email address is terry.dunn@canadapost.ca. Canada Post has requested that any communications regarding confidential treatment of these data be sent with a courtesy copy to Ewa Kowalski, Manager, International Mail Settlement, Canada

broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

Post Corporation. Ms. Kowalski's telephone number is (613) 734-6201, and her email address is ewa.kowalski@canadapost.ca.²

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

In connection with its Request filed in this docket, the Postal Service included an Agreement and financial work papers associated with that Agreement. These materials were filed under seal, with redacted copies filed publicly, after notice to the affected postal operator. The Postal Service maintains that the redacted portions of the Agreement and related financial information should remain confidential.

With regard to the Agreement filed in this docket, the redactions withhold the actual prices being offered between the parties under the Agreement, as well as the particulars of financial performance incentives and assignments of liability, certain thresholds for eligibility for discounted services, and the specific products that the parties have agreed to make the focus of their collaborative development for the North American market.³ The redactions applied to the financial work

² In the event of a request for early termination of non-public treatment under 39 C.F.R. § 3007.31, a preliminary determination of non-public status under 39 C.F.R. § 3007.32, or a request for access to non-public materials under 39 C.F.R. § 3007.40, the Postal Service notes, on Canada Post's behalf, that differences in the official observation of national holidays might adversely and unduly affect Canada Post's ability to avail itself of the times allowed for response under the Commission's rules. In such cases, Canada Post has requested that the Postal Service convey its preemptive request that the Commission account for such holidays when accepting submissions on matters that affect Canada Post's interests. A listing of Canada's official holidays can be found at <http://www.pch.gc.ca/pgm/ceem-cced/jfa-ha/index-eng.cfm>.

³ Some of the redactions, for example those made to pages four and five of the main agreement, apply to terms of the agreement that are still under negotiation and have been redacted in the interest of protecting the course of the negotiations from public disclosure. The final language of the entire agreement will be filed with the Commission before its anticipated effective date. None

papers protect commercially sensitive information such as underlying costs and assumptions, negotiated pricing, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the work papers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b).

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the portions of the Agreement that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Information about negotiated pricing is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Foreign postal operators could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. Competitors could also use the information to assess the offers made by the Postal Service to foreign postal operators or other customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. If the areas in which Canada Post and the Postal Service intend to collaboratively develop new products and services were to be disclosed publicly, their competitors could use this information to preemptively enter the market in those areas. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

of the on-going negotiations affect the rates or services to be provided on the Effective Date of this Agreement.

The financial work papers include specific information such as costs, assumptions used in pricing decisions, the negotiated prices themselves, projections of variables, and contingency rates included to account for market fluctuations and exchange risks. All of this information is highly confidential in the business world. Competitors would be able to take advantage of the information to offer lower pricing to postal customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services markets. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers could also deduce from the rates provided in the Agreement or from the information in the workpapers whether additional margin for net contribution exists under Agreement's prices. The settlement charges between the Postal Service and the foreign postal operator constitute costs underlying the postal services offered to each postal operator's customers, and disclosure of this cost basis would upset the balance of Postal Service negotiations with contract customers by allowing them to negotiate, rightly or wrongly, on the basis of the Postal Service's perceived supplier costs. From this information, each foreign postal operator or customer could also attempt to negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even the foreign postal operator involved in the Agreement at issue in this docket

could use the information in the work papers in an attempt to renegotiate the rates in its instrument by threatening to terminate its current Agreement.

Price information in the Agreement and financial spreadsheets also consists of sensitive commercial information of the foreign postal operator. Disclosure of such information could be used by competitors of the foreign postal operator to assess the foreign postal operator's underlying costs, and thereby develop a benchmark for the development of a competitive alternative. The foreign postal operator would also be exposed to the same risks as the Postal Service in customer negotiations based on the revelation of their supplier costs.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Harm: Public disclosure of the prices in the Agreement, as well as any negotiated terms, would provide foreign postal operators or other potential customers extraordinary negotiating power to extract lower rates from the Postal Service.

Hypothetical: The negotiated prices are disclosed publicly on the Postal Regulatory Commission's website. Another postal operator sees the price and determines that there may be some additional available margin below the rates provided to either operator. The other postal operator, which was offered rates comparable to those published in the Agreement, then uses the publicly available rate information to insist that it must receive lower rates than those the Postal Service has offered.

Harm: Public disclosure of information in the financial work papers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing delivery service obtains unredacted versions of the financial workpapers from the Postal Regulatory Commission's website. It analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to comply with business or legal considerations regarding cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its customers below that threshold and markets its purported ability to beat the Postal Service on price for international delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of one or more relevant international delivery markets. Even if the competing providers do not manage wholly to freeze out the Postal Service, they will significantly cut into the revenue streams upon which the Postal Service relies to finance provision of universal service.

Harm: Public disclosure of information in the financial workpapers would be used detrimentally by the foreign postal operator's competitors.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the workpapers to assess the foreign postal operator's underlying costs for the corresponding products. The competitor uses that information as a baseline to negotiate with U.S. companies to develop lower-cost alternatives.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international delivery products (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products (including other postal operators) should not be provided access to the non-public materials. This includes the counter-party to the Agreement with respect to all materials filed under seal except for the text of the postal operator's Agreement, to which that counter-party already has access.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

None.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

CANADA POST CORPORATION – UNITED STATES POSTAL SERVICE CONTRACTUAL BILATERAL AGREEMENT

BETWEEN

CANADA POST CORPORATION,
a corporation incorporated under the
Canada Post Corporation Act, R.S.C. 1985,
c. C-10 as amended, and having its head
office in the City of Ottawa in the Province
of Ontario
("Canada Post")

AND

THE UNITED STATES POSTAL SERVICE,
an independent establishment of the Executive
Branch of the United States Government
having its headquarters in the City of
Washington, District of Columbia
(the "United States Postal Service")

This Agreement governs the exchange, between Canada Post Corporation and the United States Postal Service, of the international products and services addressed in this Agreement (the "International Products and Services") and sets out quality objectives and standards as well as "Pay-for-Performance" incentives for meeting the prescribed quality standards.

NOW THEREFORE in consideration of the mutual covenants set out in this Agreement, Canada Post and the United States Postal Service agree as follows:

1. Definitions

In this Agreement, the following terms shall have the meanings set out below:

"Parties" means Canada Post Corporation (CPC) and the United States Postal Service (USPS).

2. Purposes of this Agreement

The purposes of this Agreement are the following:

- (a) to foster the maintenance and further development of a mutually beneficial relationship on behalf of the Parties' respective customers;
- (b) to set out the principles and general terms and conditions that shall apply to the exchange of International Products and Services between the Parties; and

- (c) to set out the rates that will apply to the exchange of International Products and Services between the Parties.

3. Guiding Principles of the Agreement

(a) The Parties agree to work together to improve the quality of postal services between Canada and the United States in order to better serve the North American market, within the scope of the services they currently provide or may provide during the term of this Agreement. In particular, the Parties agree to provide access to each other's operating networks and services in such a way that for each service provided, to the extent practicable:

- (i) excellence in quality of service performance will be attained and maintained;
- (ii) the flexibility required to meet changing market, regulatory, and logistical conditions will be supported;
- (iii) the costs to each Party of providing services will be minimized; and
- (iv) settlement and payment processes will be electronically-based to the extent practicable, with the objective being to make such processes efficient, timely, and specific to each particular service or type of service.

(b) Each Party agrees to commit the necessary resources to collaborate on product development, enhancements to current products, and specified value-added services required to meet the ever-evolving needs of their customers.

4. Quality of Service

In order to encourage commitment to achievement of high levels of on-time delivery performance and high levels of delivery confirmation scan performance, the Parties agree to continued on-time measurement systems and to Pay-for-Performance arrangements as set out in Attachment 2 – Scanning and On-Time Quality of Service and Pay-for-Performance.

5. Rates

(a) The Parties agree that for each of the *Modified EMS Agreement on the International Exchange of EMS Items between Postal EMS Operators*, the *Multi-Services Agreement*, and any other services for which a specific agreement with its own terms and conditions is added to this Agreement as an attachment, any adjustments to the rates for the services shall be subject to the terms and conditions of the applicable attached specific agreement.

(b) Each Party agrees that for the services, other than those that are the subject of clause (a), that the other Party provides to it during each of the periods specified in Attachment 1, the first-mentioned Party shall pay the other Party the applicable rates specified in Attachment 1. If the rates are to be amended during the Term, the amendment must be made as an amendment to this Agreement.

6. Terms for the Delivery of EMS Items

The terms and conditions for the delivery of EMS items shall be governed by the *Modified EMS Agreement on the International Exchange of EMS Items between Postal EMS Operators*, which is Attachment 3 to this Agreement.

7. Terms for Multi-Services Agreement

The terms and conditions of the Multi-Services Agreement, which includes International Direct Entry Services, Domestic Entry Services and Ancillary Services, are set out in Attachment 4.

8. Settlement Principles

(a) The Parties are committed to the settlement of accounts according to the following principles:

- (i) use of monthly billing, settlement and payment for streams of mail exchanged between the parties using agreed-upon interim values where applicable;
- (ii) generation of independent bills of account for northbound and southbound mail based on the use of PREDES data;
- (iii) quarterly exchange of monthly sampling and preliminary weight data; and
- (iv) annual settlement of accounts using agreed-upon final values where applicable.

9. Shared Surface Transportation Costs

The terms and conditions for the sharing of transborder transportation costs shall be governed by Attachment 5.

General Provisions

10. Audit

The Parties reserve the right to review, in accordance with a mutually agreed to schedule, the account settlement processes and practices used by each in association with the acceptance, dispatching, recording, and accounting for the volumes exchanged under this Agreement. Notwithstanding the foregoing, each Party reserves the right to restrict access to information it deems to be commercially-sensitive.

11. Meetings

(a) The Parties shall hold an annual meeting during each calendar year of the Term. At each annual meeting, the Parties will discuss and review the following:

- (i) the services being provided and any adjustments required;
- (ii) the addition or deletion of any services;
- (iii) implementation of plans outlined in the Agreement;
- (iv) general compliance with this Agreement; and
- (v) any rate adjustments proposed by either Party.

(b) In addition, the Parties may hold *ad hoc* meetings as required to deal with specific issues.

(c) The Parties agree to hold further meetings on operational issues.

12. Confidentiality

(a) Confidential information shared in connection with this Agreement is subject to the confidentiality provisions that are set out in Attachment 6 of this Agreement.

(b) The Parties, through the USPS Chief Privacy Officer and Canada Post's General Manager, Privacy Leader, respectively (each being the Party in question's "Privacy Representative") shall keep each other apprised of significant changes in the administration of records pertaining to individual customers of international mail and the content of those records. In particular, each Party's Privacy Representative shall advise the other of any significant changes in connection with the following:

- (i) the purposes for which the other Party may use records about individual customers of international mail;
 - (ii) the implementation of adequate measures to safeguard those records;
 - (iii) measures to segregate those records;
 - (iv) the time period for which those records may be kept; and
 - (v) the manner in which that information is to be destroyed when the relevant time period has expired.
- (c) If after having received information of a change under clause (b) the receiving Privacy Representative has a concern, the other Privacy Representative shall give due consideration to the receiving Privacy Representative's concerns with the objective, to the extent possible, of resolving the concern to the mutual satisfaction of both Parties.

13. Procedure Respecting USPS Postal Regulatory Commission Filings

(a) The USPS represents that as part of its legislated requirement to secure the U.S. Postal Regulatory Commission ("PRC") approval of this Agreement and in other subsequent regulatory filings, the USPS is required to file this Agreement and supporting documentation with the PRC in a docketed proceeding. Given that this Agreement contains confidential information of CPC, the disclosure of which could cause harm to CPC, the USPS shall, prior to filing any part of this Agreement with the PRC or any redacted version of any part of this Agreement, consult with CPC with the objective of achieving consensus between the parties with respect to the scope of what the USPS will file, particularly:

- (i) the parts of the Agreement that are to be identified as non-public and claimed as exempt from disclosure;
 - (ii) the placement of any redactions that are to appear in place of the parts identified as non-public; and
 - (iii) the wording of submissions that the USPS proposes to make in conjunction with the filing relating to non-public disclosure.
- (b) CPC further understands that any unredacted portion of the Agreement and any redactions and supporting information will be available on the PRC's public website, www.prc.gov. In addition, the USPS is required to file other information in connection with this Agreement (including the USPS's revenue, the USPS's cost, or the USPS's volume data) in other PRC dockets, including Dockets ACR 2012, ACR 2013, ACR 2014, etc.. For filings in PRC dockets, the parties agree that the provisions of clause (a) shall be read with the necessary changes with the objective of the parties always reaching a consensus with respect to the parts of the material to be filed that are to be identified as non-public and the wording of any redactions and submissions.
- (c) Notwithstanding paragraphs (a) and (b), the USPS shall continue the redaction of or public disclosure of information connected to this Agreement in "Routine Filings" consistent with its practice of such filings in the period including 2009-2010. In such Routine Filings, the notice and consultations requirements of paragraphs (a), (b), and (d) shall not apply. [REDACTED]
- [REDACTED]
- [REDACTED]

[REDACTED]

(d) The USPS agrees that CPC at all times maintains the right, in accordance with the PRC's rules, to address CPC's confidentiality concerns directly with the PRC. The procedure for making an application to the PRC for non-public treatment of materials believed to be protected from disclosure is published as Title 39, Code of Federal Regulations, Section 3007.22 found on the Commission's website: www.prc.gov/Docs.63/63467/Order225.pdf. With the exception of the matters identified in clause (c) above, the USPS will provide CPC with timely notice of the docket numbers of all PRC proceedings in which the USPS has a filing requirement that may involve disclosure to the PRC of matters related to this Agreement or other confidential information of CPC.

(e) Without limiting the generality of the other clauses of this Article, the USPS represents that one aspect of its filing requirements is to give notice to the PRC as to which parts of the Agreement are to be added to the competitive products list and which are to be added to the market dominant products list. In this regard, both parties acknowledge that what may be identified as competitive products and what may be identified as market dominant products in any filing with the PRC are so identified with respect to the U.S.A. market only and would not necessarily have the same classification in the Canadian market.

(f) CPC also acknowledges that USPS shall furnish a copy of this Agreement to the U.S. Department of State.

14. Dispute Resolution Process

(a) Except as otherwise provided in this Agreement, the Parties will endeavour to resolve all disputes between the Parties relating to this Agreement at the level of their respective representatives identified in Article 20.

(b) If the dispute still cannot be resolved, the Parties will escalate it up within their respective organizations. If the dispute cannot be resolved even after it has been escalated to the top level in each organization, i.e., the level of Canada Post's President and United States Postal Service's Postmaster General (or the equivalents to those positions at the time), then, if there is still no resolution, the Parties shall engage in non-binding mediation. If a resolution still cannot be found, the Parties agree to submit the dispute to binding arbitration to take place in Windsor, Ontario (Canada) or Detroit, Michigan (USA). The parties shall alternate between these locations for each separate dispute, with the first such arbitration proceeding being held in Windsor, or another mutually agreed to location, under the Rules of Arbitration of the International Chamber of Commerce (ICC) by three arbitrators appointed in accordance with the Rules. For any reason, which shall include but not be limited to the partial or full enforcement of a binding judgment by the arbitrators, either party may enter said judgment or an award of the arbitrators in any court of competent jurisdiction in the country of the party against whom the judgment or award is to be enforced.

15. Temporary Suspension of Service

Except for payment obligations and certain transportation costs as specified in Attachment 5, neither Party shall be liable for temporary suspension of services, delays, or inability to perform due

to causes outside of its reasonable control including, but not limited to, acts of God, or labour disruptions. On-Time and Scanning Pay-for-Performance objectives and penalties shall, however, be adjusted to take account of the temporary service suspensions, delays or inability to perform due to causes outside a Party's reasonable control.

16. Assignment

Neither Party may assign this Agreement without the prior written consent of the other Party.

17. Waiver

(a) No delay or omission by either Party to exercise any right or power accruing upon any non-compliance or default by the other Party with respect to any of the terms of this Agreement shall be construed as a waiver of such non-compliance or default.

(b) A waiver by either of the Parties of any breach of the terms of this Agreement shall not be construed to be a waiver of any preceding or succeeding breach.

(c) A Party shall not be deemed to have waived any matter under this Agreement unless that Party has given the other Party a written notice that the first-mentioned Party has waived the matter in question.

18. Conditions Precedent

(a) At the time of signing this Agreement, CPC represents and warrants that it has obtained all necessary approvals for the comprehensive package of rates set out in this Agreement.

(b) The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection by one or more internal and external bodies that have oversight responsibilities (hereinafter "Conditions Precedent"). Conditions Precedent may include but are not limited to: approvals or, if applicable, non-objection, from USPS management, the USPS executive committee, the Governors of the USPS, and the U.S. Postal Regulatory Commission. At the time of signing this Agreement, the USPS represents and warrants that the only Conditions Precedent remaining to be fulfilled on its side are the rate approvals required from the PRC for the southbound "market dominant products" rates and the southbound "competitive products" rates.

(c) The Parties acknowledge that the Agreement might not be approved by the PRC. Until such time as the Conditions Precedent are fulfilled that are necessary to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS or CPC and no benefit or rights granted through this Agreement shall inure to either Party.

(d) In the event that the Conditions Precedent are not fulfilled, the USPS and CPC shall have no liability, which shall include no obligation to pay costs associated with any action taken by CPC prior to the fulfillment of the Conditions Precedent. Further, in the event of the failure of any Condition Precedent, neither Party shall be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

19. Effect of Partial Invalidity

The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the parties agree that the remaining provisions shall be deemed to be in full force and effect.

20. Notices

(a) For each of the *Modified EMS Agreement on the International Exchange of EMS Items between Postal EMS Operators*, the *Multi-Services Agreement*, and any other services for which a specific agreement setting out its own terms and conditions is added to this Agreement as an attachment, notices, requests, or other communications with respect to the specific agreement and the services provided under it shall be given in accordance with the terms and conditions of the relevant attachment without reference to any aspect of the notice provisions that are set out here in the body of this Agreement. All other notices, requests, or other communications required or permitted to be given under this Agreement ("Notices") shall, unless otherwise specifically provided for in this Agreement, be given in writing in accordance with clause (b).

(b) Notices may be:

- (i) personally delivered,
- (ii) sent by registered mail, or
- (iii) sent by facsimile to a number provided in each Party's entry in the UPU List of Addresses

to each of the Parties at its respective address as follows:

to United States Postal Service,

EXECUTIVE DIRECTOR
INTERNATIONAL POSTAL AFFAIRS
475 L'ENFANT PLAZA SW ROOM 1P906
WASHINGTON DC 20260-4017
USA

and to Canada Post,

GENERAL MANAGER
INTERNATIONAL RELATIONS
2701 RIVERSIDE DRIVE SUITE N0220
OTTAWA ON K1A 0B1
CANADA

and to such other individuals or addresses as the Parties may advise the other of from time to time.

(c) Any Notice sent by registered mail shall be deemed to have been received by the Party to whom it was addressed on the 5th mail delivery day following the day on which it was posted. Any Notice sent by facsimile shall be deemed to have been received by the Party to whom it was addressed on the day following the day on which it was sent.

(d) Either Party may change its address for Notice to another address by Notice to the other Party given in accordance with clause (b). All addresses for Notice must be addresses to which Notices can be personally delivered.

21. Term

This Agreement and its Attachments shall bind the Parties for the period beginning on January 1, 2012 (the "Effective Date") and ending on December 31, 2013 (the "Term"), unless terminated earlier in accordance with Article 22. Notwithstanding the Effective Date set forth in the previous sentence, Articles 1 through 30 of this Agreement and Attachment 6 (Confidentiality Provisions) shall be effective immediately upon the later of the Parties' signatures below and the rates

applicable to southbound letter post products shall not come into effect until the 45th day following the date on which the Postal Service files its public notice of those rates with the Postal Regulatory Commission. This Agreement and all Attachments shall remain in effect from the Effective Date until the Agreement end date or until terminated, except where an Attachment provides otherwise.

22. Termination

(a) Subject to clause (b), either Party may terminate this Agreement without cause upon at least 90 days' written notice to the other Party. However, if this Agreement is terminated under the preceding sentence, each of the specific agreements that are attached to this Agreement shall be deemed to be unaffected by such termination, to the extent that those agreements contain an express method of termination. Each of the specific agreements that are attached to this Agreement may only be terminated in accordance with the terms and conditions of that specific agreement.



23. Negotiated Commercial Arrangement

Each of the Parties acknowledges that this Agreement sets out the terms and conditions of a negotiated commercial arrangement between the Parties and is not an agreement entered into or subject to international law. This Agreement is only binding on the United States Postal Service and Canada Post Corporation as a crown corporation.

24. Compliance with Applicable Laws when Operating in the Other Party's Country

Nothing in this Agreement shall relieve a Party of its obligation to comply with the laws in force in the other Party's country with respect to any operations that the first-mentioned Party carries out in the other Party's country.

25. Application of the *Universal Postal Convention*

For the period during which both Parties are signatories to the *Universal Postal Convention*, the obligations of the Parties under the *Universal Postal Convention* remain in effect except to the extent that this Agreement defines other terms and conditions or arrangements between the Parties, in which case this Agreement shall take precedence.

26. Customer Inquiry Support and Acceptance of Liability for Claims Respecting the Loss, Rifling, or Damage of Parcels

(a) The Parties agree to continue the practice between them as of the signing date of this Agreement, which is that the administration of origin is responsible for, and undertakes the payment of indemnity for, the loss, rifling, and damage of parcels in accordance with its postal laws and regulations.

(b) The Parties agree to continue to receive and respond to inquiries relating to parcels received by each other's administration consistent with the mutually agreed practices and procedures developed and implemented between the parties as of July 1, 2009 using the CSS Parcels module within the IPC Customer Service System. The process and procedures to support an automated customer inquiry system are outlined here.

(i) Provision of Inquiry, Customer Service and Support Services for Northbound Priority Mail International Parcels and Northbound Surface Parcels:

Procedures are as follows; [REDACTED]

For Inquiries:

- US Sender (American or Canadian) initiates inquiry with USPS no earlier than 10 Days after Date of Mailing. (No later than 6 months after Date of Mailing.)
- USPS verifies scan events. If status of article is unknown, USPS submits Full Investigation via the CSS Parcels module within the IPC Customer Service System (CSS).
- CPC confirms delivery of parcel via CSS. CPC investigates status of parcel and provides status via CSS.
- CPC sends CN18 to Canadian addressee to ascertain delivery status. If addressee is contacted via letter, a pre-paid Business Reply envelope addressed to the USPS is included with letter.
- CPC responds to USPS via CSS: "Letter sent to customer to confirm delivery" and closes Full Investigation request within 20 days.
- USPS receives confirmation of delivery from CPC or Canadian customer, OR in the event of Loss: if article is deemed lost after 20 days from start of Full Investigation, US Sender (American or Canadian) is sent a claim form.
- [REDACTED]

For Damaged or Missing Contents:

- Canadian Addressee contacts CPC for article received damaged or missing contents. Canadian Addressee is informed that the US Sender (American or Canadian) must initiate the inquiry with the USPS. US Sender initiates inquiry with USPS.
- USPS submits Full Investigation with Canada via CSS.
- CPC sends addressee a questionnaire to confirm damage or missing contents. A pre-paid Business Reply envelope addressed to the USPS is included with letter.
- CPC responds to USPS via CSS: "Letter sent to customer to confirm damage (or Missing Contents)" and closes Full Investigation request within 20 days.
- USPS receives confirmation of damage (or missing contents) from addressee. USPS sends the US Sender a claim form.
- [REDACTED]

(ii) Provision of Inquiry, Customer Service and Support services for Southbound Xpresspost-USA (exclusion applies to LE articles) Parcels and Expedited Parcel-USA

Procedures are as follows; [REDACTED]

For Inquiries:

- Canadian Sender (Canadian or American) initiates inquiry with CPC no earlier than 10 Days after Date of Mailing. (No later than 6 months after Date of Mailing.)
- CPC verifies scan events. If status of article is unknown, CPC submits Full Investigation via the CSS Parcels module within the IPC Customer Service System (CSS).
- USPS confirms delivery of parcel via CSS. USPS investigates status of parcel and provides status via CSS.

- USPS sends CN18 to American addressee to ascertain delivery status. If addressee is contacted via letter, a pre-paid Business Reply envelope addressed to CPC is included with letter. USPS responds to CPC via CSS: "Letter sent to customer to confirm delivery" and closes Full Investigation request within 20 days.
- CPC receives confirmation of delivery from USPS or American customer OR in the event of Loss: if article is deemed lost after 20 days from start of Full Investigation, Canadian Sender (Canadian or American) is sent a claim form.
- [REDACTED]

For Damaged or Missing Contents:

- American Addressee contacts USPS for article received damaged or missing contents. American Addressee is informed that the Canadian Sender (whether Canadian or American) must initiate the inquiry with CPC.
- Canadian Sender initiates inquiry with CPC. CPC submits Full Investigation with USPS via CSS.
- USPS sends addressee a questionnaire to confirm damage or missing contents. A pre-paid Business Reply envelope addressed to CPC is included with letter.
- USPS responds to CPC via CSS: "Letter sent to customer to confirm damage (or Missing Contents)" and closes Full Investigation request within 20 days.
- CPC receives confirmation of damage (or missing contents) from addressee. CPC sends the Canadian Sender a claim form.
- [REDACTED]

27. Survival of Various Articles of the 1981 Postal Convention

With respect to the "Postal Convention between Canada and the United States of America" that was signed on September 14, 1981, by the Postmasters General of Canada and the United States (the "1981 Postal Convention"), the Parties agree to apply Article 7 and Article 23 of the 1981 Postal Convention and, shall consider taking such steps as necessary to suspend the outdated provisions of the 1981 Postal Convention and in any event, between the Parties, the Parties shall consider those outdated provisions to be suspended.

28. Previous Bilateral Agreement Superseded

The Canada Post – United States Postal Service Bilateral Agreement that was signed on December 30, 2009, by the United States Postal Service as represented by its Vice President and Managing Director, Global Business, Pranab Shah, and signed on December 24, 2009 by Canada Post as represented by its Chief Operating Officer, Jacques Cote, is superseded by this Agreement as of January 1, 2012 assuming all conditions precedent are satisfied, except to the extent that an amendment to the previous bilateral agreement remains in effect.

29. Entire Agreement

(a) This Agreement, including the Attachments listed in clause (b), and any other document or portion of a document that is expressly incorporated into this Agreement by reference constitutes the entire umbrella agreement between the Parties for the exchange of International Products and Services and no representations, negotiations, or conditions either oral or written shall bind the Parties except as expressly set out in this Agreement. However, where an attachment to this Agreement is itself set up with a signature block at the end of the attachment, it is a specific agreement in itself and the services to be provided under that specific agreement shall be provided in accordance with the terms and conditions of that specific agreement.

(b) The Attachments to this Agreement as of the signing date are as follows:

Attachment 1 - Rates

Attachment 2 - Scanning and On-Time Quality of Service and Pay-for-Performance

Attachment 3 – Agreement on the International Exchange of EMS Items between the U.S. Postal Service and Canada Post,

Attachment 4 - Multi-Services Agreement

Attachment 5 - Terms for Shared Surface Transportation Costs
Attachment 6 – Confidentiality Provisions
Attachment 7—Joint Market and Product Development

(c) Subject to Article 13, the entire Agreement, or portions thereof, will be filed with the U.S. Postal Regulatory Commission with a notice to add it to the competitive and/or market dominant products list.

30. Amendments to this Agreement

(a) This Agreement may only be amended, or extended, by mutual written agreement signed by authorized representatives of Canada Post Corporation and the United States Postal Service.

(b) Any amendments may be contingent upon each Party obtaining not only its own executive or board approvals, but also approvals or non-objections from governmental bodies that have oversight responsibility. Each of the Parties shall attempt to obtain all such approvals prior to signing any amendment; to the extent either of them has not been able to do so, however, the amendment shall describe the approvals that have not yet been obtained and provide that the amendment will not become effective until such time as all required approvals have been given.

This Agreement is made in duplicate between:

United States Postal Service

Canada Post Corporation

Signature

Signature

**Giselle Valera
Vice President and Managing
Director, Global Business**

**Jacques Côté
Chief Operating Officer**

Date

Date

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ATTACHMENT 1 RATES

Rates for the Contractual Bilateral Agreement between Canada Post Corporation and the United States Postal Service

Terminal dues rates listed in the tables included below are product stream rates per item and per kilogram stated in Special Drawing Rights (SDRs) unless noted otherwise. The rates are set on the conditions that current work sharing arrangements are substantially maintained. Any changes to current work sharing (i.e., sortation and preparation) arrangements will be subject to negotiation and mutual agreement first being reached including, but not limited to, agreement as to any impact on pricing.

DRAFT

Northbound Rates

	Service Description (Northbound)	Stream ID = Category + Subclass + Receptacle Type	2012 Rates (SDR's)		2013 Rates (SDR's)	
			Per item	Per kg	Per item	Per kg
	PRIORITY LETTER-POST					
1.1	Priority Letter Tray					
1.2	Priority Flat Tray					
1.3	Priority Bag					
1.4	Priority Large Container					
2	Priority M-Bag					
3.1	IPA Letter Tray					
3.2	IPA Flat Tray					
3.3	IPA Bag					
3.4	IPA Container					
4	Priority Registered Mail Bag					
	SAL LETTER-POST					
5.1	SAL Letter Tray					
5.2	SAL Flat Tray					
5.3	SAL Bag					
5.4	SAL Large Container					
6	SAL M-Bag					
	PARCEL POST					
8.1	Priority Parcels Bag					
8.2	Priority Parcels Large Container					
	EXPRESS MAIL (EMS) SERVICE					
9.1	Express Mail Service					
9.2	Express Mail Service					
9.3	Express Mail Service					
9.4	Express Mail Service					
	Non-billable services					
10.1	Empty Equipment (from Priority site)					
10.2	Empty Equipment (from Priority site)					
10.3	Empty equipment					

Southbound Rates

	Service Description (Southbound)	Stream ID = Category + Subclass + Receptacle Type	2012 Rates (SDR's)		2013 Rates (SDR's)	
			Per item	Per kg	Per item	Per kg
	PRIORITY LETTER-POST					
1.1	Priority Letter Tray					
1.2	Priority Flat Tray					
1.3	Priority Bag					
1.4	Priority Large Container					
2.1	Priority "IPA" Letters					
2.2	Priority "IPA" Flats					
2.3	Priority "IPA" Bag					
2.4	Priority "IPA" Large Container					
3	Priority Registered Mail Bag					
	NON-PRIORITY LETTER-POST					
5.1	Non-Priority Flat Tray					
5.2	Non-Priority Large Container (Flat trays)					
5.3	Non-Priority Bag					
5.4	Non-Priority Large Container					
	PRIORITY PARCEL POST					
6.1	Expedited parcels Bag					
6.2	Expedited parcels Large Container					
	EXPRESS MAIL (EMS) SERVICE					
7.1	Express Mail Service					
7.2	Express Mail Service					
7.3	Express Mail Service					
7.4	Express Mail Service					
7.5	Express Mail Service					
	Non-billable services					
8.1	Express Mail Service Returns					
8.2	Express Mail Service Returns					
8.3	Missent - US to US					
8.4	Empty Equipment					
8.5	Empty equipment					

Specifications of Mail Product Categories and Formats

The rates for the stream categories above shall be based upon the following format and product definitions:

Letters	Any piece which has: <ul style="list-style-type: none">- a length less than or equal to 292 mm (11 1/2 inches) and- a width less then or equal to 155 mm (6 1/8 inches) and- a thickness not less than 0.007 inch thickness, or not more than 6 mm (1/4 inch)- and which has a weight of less than or equal to 2 kilograms (3.5 ounces for USPS).
Flats	Any piece exceeding any one of the maximum limits for a Letter and which has: <ul style="list-style-type: none">- a length less than or equal to 381 mm (15 inches) and- a width less than or equal to 292 mm (12 inches) and- a thickness less than or equal to 20 mm (3/4 inch)- and which has a weight of less than or equal to 2 kilograms
Packets	Any piece exceeding any of the maximum size limits for a Flat, but within the maximum size limits as set forth in the Universal Postal Union Letter Post regulations Article RL 122 and which has a weight of less than or equal to 2 kilograms
Parcels	Any piece corresponding to size limits as set forth in the Universal Postal Union Parcel Post regulations Article RC 115 and which has a weight of less than or equal to 30 kilograms
M-Bags	Printed matter in a direct sack to a single foreign address, subject to the Reservations of Canada and the United States of America in Universal Postal Union Prot Article RL II, which has a weight less than or equal to 30 kilograms
Registered Mail	Any piece that meets the size and weight dimensions of Letters, Flats, or Packets and bears a Registered label on the mail piece
Xpresspost-USA	Any Document or Package which bears Xpresspost-USA identification, and which bears an EMS logo and barcode, and which has the following dimensions: XpressPost-USA Documents are pieces which meet the same size and weight dimensions of Letters or Flats; and, XpressPost-USA Packages are pieces which meet the same size and weight dimensions of Packets or Parcels
Expedited Parcel – USA	Any Document or Package which bears Expedited Parcel-USA identification, and which bears a Priority Mail logo and a Delivery Confirmation barcode, and which has the following dimensions: Expedited Parcel - USA Documents are pieces which meet the same size and weight dimensions of Letters or Flats; and, Expedited Parcel -USA Packages are pieces which meet the same size and weight dimensions of Packets or Parcels
EMS	See Attachment 3

Additional Rates for International Business Reply Service (IBRS) for Approved Customers

Definition of International Business Reply Mail service (IBRS) for approved customers:

a customized small packet IBRS service (such as for a manufacturer of computer printers and toner cartridges). The IBRS indicia must be used. The Manufacturer shall also include customs declaration (since customs will likely consider this as merchandise) to ensure a problem-free return.

This customized small packet IBRS service will return to the United States in the normal Southbound packet air stream, subject to Terminal Dues from USPS. Since Canada Post does not track IBRS items, the financial settlement process shall be as follows:

Settlement Process: USPS will self-declare on a monthly basis the IBRS volumes received from CPC for this customer. In turn, CPC will invoice USPS on a monthly basis, indicating the number of pieces received, the calendar period involved, and the rate.

Rates: The rate USPS will be invoiced by CPC is according to the following schedule. This rate includes the terminal dues that CPC will pay USPS for each item sent and has been calculated using the terminal dues rates established between CPC and USPS under the contractual bilateral agreement.

2012 IBRS Rates		2013 IBRS Rates	
Weight (grams)	Proposed Target Price in SDR	Weight (grams)	Proposed Target Price in SDR
up to 50		up to 50	
100		100	
150		150	
250		250	
350		350	
450		450	
500		500	
600		600	
700		700	
800		800	
900		900	
1000		1000	
1100		1100	
1200		1200	
1300		1300	
1400		1400	
1500		1500	
1600		1600	
1700		1700	
1800		1800	
1900		1900	
2000		2000	

ATTACHMENT 2 SCANNING AND ON-TIME QUALITY OF SERVICE MEASUREMENT AND PAY-FOR-PERFORMANCE

A. OBJECTIVES:

1. Provide incentives to encourage competitive levels of customer visibility for scanning of USPS northbound products and CPC's southbound products.
2. Agree on scanning performance targets/thresholds, data sources, measurement systems, validation methodology, and financial impacts for Pay-for-Performance incentive arrangements for each parties' products.
3. Provide incentives to encourage competitive levels of on-time service performance for delivery of USPS northbound products and CPC's southbound products.
4. Agree to on-time delivery performance targets/thresholds, data sources, measurement systems, validation methodology, and financial impacts for Pay-for-Performance incentive arrangements for each parties' products.
5. Both parties agree that they will provide treatment in the receipt, processing and delivery of postal traffic which is at least comparable to that provided to similar postal traffic from other postal administrations.
6. Both parties agree that they will give best efforts to unload, receive, process and deliver inbound international mail in accordance with operating plans for such international inbound mail.

B. LETTER POST

General Framework for Measurement and Compensation

The general framework for measurement and compensation of Letter Post products will be the UPU level [REDACTED]

Product streams covered

1. Northbound Letter Post streams excluding M Bags and Registered Mail
2. Southbound Letter Post streams excluding M Bags, Registered Mail

Measurement of On-time Delivery

Measurement of on-time delivery of product in these streams will be based on application of the technical design for the [REDACTED].

The delivery standards to be applied will also be those in effect for each of the parties at the UPU level [REDACTED]

[REDACTED]

Measurement of on-time delivery service performance for purposes of this agreement will be limited to product actually sent from the USPS to Canada Post, or from Canada Post to the USPS. The parties have arranged for the production of reports by International Post Corporation (IPC) in order to apply the rules of the UPU level system only to the test items sent between the parties.

Quality of Service Pay-for-Performance Financial Elements

Compensation for each year will be based in general on the application of the UPU QLMS compensation formula in effect for that year.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

C. EMS

General Framework for Measurement and Compensation

The general framework for measurement and compensation of EMS products will be based in principle on that laid out in the EMS Cooperative document known as "Pay-for-performance Plan" in place for the pertinent year of this bilateral agreement, and in the EMS Standard Agreement in place for the pertinent year of this bilateral agreement as referenced in Agreement on the International Exchange of EMS Items between the United States Postal Service and Canada Post included in Attachment 3.

Product streams covered

1. Northbound EMS (also known as the USPS product called Express Mail International)
2. Southbound EMS (also known as the Canada Post product called EMS - *XpresspostUSA*™ documents and merchandise)

Measurement of Scan Performance

Measurement of scan performance will follow the methods of the EMS Cooperative for arrival scanning and for delivery scanning.

Measurement of On-time Delivery

Measurement of on-time delivery and on-time transmission of delivery scan data will follow the methods of the EMS Cooperative.

The delivery standards to be applied will also be those in effect for each of the parties with the EMS Cooperative.

However, the parties may agree to inclusion of additional offices for acceptance of inbound product, and in this case associated delivery standards information; LAT/CETs, etc. would need to be communicated to either the EMS Cooperative or IPC as appropriate to support the complete tracking of this product in either direction.

Either party, in the event of a change to its domestic network structure, procedures and/or delivery standards, can submit updated standards, Latest Arrival Times (LATs) and/or Critical Entry Times (CETs) to the UPU International Bureau and to IPC. These updates to standards, Latest Arrival Times (LATs) and / or Critical Entry Times (CETs) will amend the standards, LATs and / or CETs on file with and used by IPC to calculate on-time delivery performance and measurement.

Quality of Service Pay-for-Performance Financial Elements

Pay-for-Performance compensation for each year will be based in general on the application of the EMS plan referenced above.

Determination of Penalties

The following text will modify the general application of "EMS Pay-for-performance Plan" Article 4, paragraphs g through j:

Penalty values for settlement purposes for each stream (northbound or southbound) will be determined on a quarterly basis as follows:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Settlement of Penalties

[REDACTED]

D. Air Parcel Products

General Framework for Measurement and Compensation

Given that the parties wish to have relatively customized performance measurement arrangements in place for these products, there will not be a general framework based on any existing multilateral third-party performance plan. However, to the extent that this attachment is silent on a particular matter of interest, the parties may jointly agree to apply measures already in place at the UPU level for Parcel services in such instances or to pursue third-party options.

Product streams covered

1. Northbound Air Parcels (also known as the USPS product called Priority Mail International)
2. Southbound *Expedited Parcel*TM – USA (parcels and documents)

Measurement of Scan Performance

Basis for measurement

Scan performance for Air Parcel products will be measured based on [REDACTED]. The parties will mutually agree with IPC on any anomalies that would be excluded from the population being measured.

Scan Bar-code Label Prefixes

Scan performance for these bar coded products will be measured based on the population of items for each product using product-specific prefixes on bar codes as listed below:

Product	Product Specific Prefixes on Barcodes
NB Air Parcel	Ca* (*a = any alpha character ranging from A to Z)
SB <i>Expedited Parcel</i> TM – USA	CX

Exclusion of Return to Sender items

Measurement reports will be designed to ensure the exclusion of Return to Sender items or such other items as are not in conformity with the bar-coding prefixes described above.

Minimum data transmission quality expectations

The sending party must transmit [REDACTED] of all items, failing which the financial elements as described below for that product stream will not be applied for that quarter.

Performance reporting frequency

Performance reports will be produced on a monthly basis to support diagnostic activity and to support pay-for-performance. However, as noted later, pay-for-performance penalties will be determined on a quarterly basis, and quarterly reports will be used to support this activity.

Cut-off time interval for inclusion of delivery scan data in the measurement reports

In light of the requirement to match delivery scan data to its associated arrival or dispatch scan data, the measurement reports will be designed to provide for inclusion of delivery scans for up to 30 days after the corresponding dispatch scan for the same item.

Right to retransmit scan event data

Upon discovery of a failure to successfully transmit scan event data to the proper location (mail box) for use in measurement reporting, that party may with notice to the other party re-transmit the missing or incorrect scan event data. The parties will agree a suitable time interval --30 days after the issuance of the associated monthly performance measurement report -- to discover any such failure and file notice with the other party after which such re-transmission will no longer be permitted.

Diagnostic measurement and reporting frequency

For this bilateral, commencing January 2012, the parties will arrange for the provision of third party performance measurement, of calculation of scanning and on-time performance and of production of reports by International Post Corporation (IPC) at a mutually agreed frequency and schedule.

Financial Elements for Scan Quality Pay-for-Performance

Pay-for-Performance measurement and reporting frequency

Calculation of measurement and production of reports shall be performed by International Post Corporation (IPC) at a mutually agreed upon frequency and schedule

Target threshold to be met

For each of the products, the scan target threshold to be met each quarter is [REDACTED]

Penalty Formula/Frequency

The penalty to be assessed for each product for each quarter will be determined as follows:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Penalty Settlement

[REDACTED]

Measurement of On-time Delivery

Basis for measurement

On-time delivery performance will continue to be measured for these products based on the proportion of items which [REDACTED]

[REDACTED] subject to any exclusions indicated below.

Delivery Standards and LAT/CETs to be applied

In principle, the Delivery Standards, to be applied, (including Latest Arrival Times (LATs) and/or Critical Entry Times (CETs)), shall be provided to each party, and also provided to IPC for its third party performance measurement and calculations. These standards should attempt to meet equivalent domestic standards for the parcel networks being considered and should not be less favourable than those published by either party at the UPU level:

Should a situation arise where either party does not have UPU level delivery standards for a particular agreed-upon new point of entry, then delivery standards commensurate with that point of entry will need to be confirmed.

Either party, in the event of a change to its domestic network structure, procedures and/or delivery standards, can submit updated standards, Latest Arrival Times (LATs) and/or Critical Entry Times (CETs) to the UPU International Bureau and to IPC. These updates to standards, Latest Arrival Times (LATs) and / or Critical Entry Times (CETs) will amend the standards, LATs and or CETs on file with and used by IPC to calculate on-time delivery performance and measurement. These updated standards should also be reflected in the party's published entry in the UPU Parcels Compendium.

In the event of a change to its domestic network structure, procedures and/or delivery standards, either party can submit their updated standards, LATs and/or CETs to each other and to IPC at any time using the notification process described here. The change will take effect on performance measurements starting the first day of the next quarter following such notice. However, to allow IPC sufficient time for amending their measurement systems, the parties agree to provide a minimum of two weeks advance notification prior to the start of the new quarter in which these updated standards, LATs and / or CETs would take effect.

Stopping the clock while in Customs

The principles to be applied for stopping the clock for time in Customs will be the same as [REDACTED]

[REDACTED]

Stopping the clock for Force Majeure

The principles and accommodations to be applied to Force Majeure will be the same as [REDACTED]
[REDACTED]

Stopping the clock for non-operating days

The principles to be followed for stopping the clock for non-operating days will be the same [REDACTED]
[REDACTED]

Exclusion of Remote Locations

The parties will agree a set of "remote location" postal codes/zip codes for which measurement of on-time performance will not occur, provided always that such lists represent less than [REDACTED] of all postal codes/zip codes otherwise being measured, and provided that such lists are supported by an explicit description of the rationale for exclusion (e.g., less-than-5(-or-6)-day delivery to this location).

Exclusion of Return to Sender items

Measurement reports will be designed to ensure the exclusion of Return to Sender items or such other items as are not in conformity with the bar-coding prefixes described above.

Right to retransmit scan event data

Upon discovery of a failure to successfully transmit scan event data to the proper location (mail box) for use in measurement reporting, that party may with notice to the other party re-transmit the missing or incorrect scan event data. The parties will agree a suitable time interval --30 days after the issuance of the associated monthly pay-for-performance measurement report -- to discover any such failure and file notice with the other party after which such re-transmission will no longer be permitted.

Cut-off time interval for inclusion of delivery scan data in the measurement reports

In light of the requirement to match delivery scan data to its associated arrival scan data, the measurement reports will be designed to provide for inclusion of delivery scans for up to 30 days after the corresponding dispatch scan for the same item.

[REDACTED]

[REDACTED]

On-Time Quality Pay-for-Performance Financial Elements

Pay-for-Performance measurement and reporting frequency

The parties will conclude at the earliest opportunity arrangement with IPC to refine and provide measurement reports for all of these same products on a quarterly frequency, starting with the period of January to March, 2012. The parties will establish with IPC the deadlines for production of such reports, and the support that IPC may require in order to adhere to these deadlines.

Target threshold to be met

For each of the products, the on-time target threshold to be met each quarter is [REDACTED].

Penalty Formula/Frequency

The penalty to be assessed for Northbound Air Parcel and Southbound *Expedited Parcel*™ – USA will be determined as follows:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Appendix “A” – Pay-for-Performance table.

ATTACHMENT 3

Agreement on the International Exchange of EMS Items between the U.S. Postal Service and Canada Post

Article 1: Purpose of the Agreement

The purpose of the Agreement shall be to establish mutually agreed terms and conditions for the exchange of EMS items between the United States Postal Service and Canada Post within the framework of the Canada Post-United States Postal Service Contractual Bilateral Agreement 2012-2013.

Article 2: Operation of the EMS service

The exchange of EMS items between the United States Postal Service and Canada Post shall take place in accordance with the terms of the EMS Cooperative's Standard Agreement and its Procedures, as adopted in 2011 and amended from time to time by the EMS Cooperative and as modified by the changes noted in the Table of Differences below.

Table – Differences applied and article references

<i>Article reference in the EMS Standard Agreement</i>	<i>Description of the agreed change related to the EMS Standard Agreement to be applied on a bilateral basis between the United States Postal Service and Canada Post Corporation.</i>
Article 2 B	Replace the first sentence with the following: "EMS operator" means Canada Post Corporation or the USPS or any other entity designated by either of them to provide EMS service.
Article 2 H	Replace with the following: "EMS Pay-for-performance" means the Plan used by EMS Cooperative members to link quality of service with payment, as amended in this bilateral agreement and noted in Canada Post-United States Postal Service Contractual Bilateral Agreement 2012-2013 Attachment 2 Scanning and On-Time Quality of Service Measurement and Pay for Performance.
Article 3 C	Deleted.
Article 8 A	Replace reference to Article 3.1 of the Procedures with reference to article 3.9 of the Procedures.
Article 9	Deleted with article number reserved.
Article 12 B	Replace reference to Article 3.7 of the Procedures with reference to article 3.6.4 of the Procedures.
Article 14	Replace reference to Article 3.7 of the Procedures with reference to article 3.6.4 of the Procedures.
Article 18	Replace with the following: The rates to be applied for delivery of EMS items are set out in the Canada Post-United States Postal Service Contractual Bilateral Agreement 2012-2013, Attachment 1 Rates.
Article 19	Replace with the following: The procedure for settlement of accounts shall be as follows: (a) an invoice shall be prepared monthly by the delivery operator showing:

	<p>I. the total number and weight of EMS items received;</p> <p>II. the charge payable per item and per kilogram in accordance with Article 18 of the Agreement;</p> <p>III. the total charge payable</p> <p>(b) consistent with the USPS/CPC settlement agreement, the invoice will be an electronic upload to the appropriate GXS mail box and will occur the Sunday following the second Saturday of the month and consist of an overall summary level (of all products), as well as Origin-Destination summary level,</p> <p>(c) after verifying the invoice, within [REDACTED], the origin operator returns a copy with payment to the delivery operator. Should the origin operator wish to dispute the invoice, a copy of the invoice duly amended is to be returned to the delivery operator within [REDACTED]. If the delivery operator disputes the amendments, it will confirm the actual data by sending data from the PREDESv2 records to the origin operator. If the delivery operator has not received notice of amendment or acceptance [REDACTED], the account is regarded as fully accepted.</p> <p>(d) Payment terms will be consistent with the USPS/CPC settlement process and shall be made [REDACTED] on a weekend or a holiday.</p>
Article 20 B	Replace with the following: EMS operators may collect only the rates, charges, and fees provided for under this Agreement.
Article 22 vii	Replace reference to article 3.7 of the Procedures with reference to article 3.6.4 of the Procedures.
Article 26	Replace with the following: In cases not expressly provided for in this Agreement or the Procedures, reference will be made to the UPU Convention and the corresponding Regulations for guidance. Notwithstanding such reference to the UPU Convention, this agreement remains a commercial agreement, not an agreement made under international law.
Article 29	Replace with the following: This Agreement and the corresponding EMS Cooperative Pay-for-Performance Plan, as modified by the provisions of the Canada Post-United States Postal Service Contractual Bilateral Agreement 2012-2013, Attachment 2 Scanning and On-Time Quality of Service Measurement and Pay-for-Performance, shall constitute the entire agreement between the United States Postal Service and Canada Post Corporation for the provision of this service. Any prior understanding or representation between them with precedes the date of this Agreement and concerns the provision of this service, with the exception of any agreements purporting to be executed under international law, shall not be binding upon either party except to the extent incorporated in this Agreement.
Article 31	Delete with article number reserved.
Article 32	Delete with article number reserved.
Attachment 1	Deleted.
Attachment 2	Deleted.

ATTACHMENT 4

MULTI-SERVICES AGREEMENT

**(for the provision of International Direct Entry,
Domestic Entry, and Ancillary Services)**

This Agreement governs the terms and conditions of the services defined below provided by Canada Post Corporation (CPC) to the United States Postal Service (USPS). CPC and the USPS agree as follows:

1.0 SERVICES

1.1 Subject to the terms and conditions of this Agreement, Canada Post shall provide the services listed below.

1.1.1 "International Direct Entry Services" refers to:

- Addressed Admail™ (including Dimensional Addressed Admail)
- Publications Mail™
- Incentive Lettermail™ and single piece Lettermail™

The above are subject to Postal Customs Clearance upon entry into Canada.

1.1.2 "Domestic Entry Services" refers to:

- Business Reply Mail™
- Unaddressed Admail™
- Xpresspost™

Xpresspost™ and Unaddressed Admail™ are subject to commercial Customs clearance upon entry into Canada.

1.1.3

[REDACTED]

The International Direct Entry Services, the Domestic Entry Services and the [REDACTED] are individually and collectively referred to in this Agreement as "the Services".

1.2 The Services will be subject to the requirements described in the Agreement. The Customer Guides shall be deemed to form part of this Agreement except as modified herein.

1.3 In the event of any conflict or inconsistency between the terms of this Agreement, including its appendices, and any documents incorporated herein by reference (other than the Canada Post Corporation Act or its regulations), the Agreement shall be read in the following order of priority, to the extent of the conflict or inconsistency:

- (a) the clauses of the main body of this Agreement (i.e., the provisions of this document),
- (b) the applicable Customer Guides (including the Canada Postal Guide),
- (c) Annex 1 [REDACTED], [REDACTED]
- (d) [REDACTED] and
- (e) All other documents.

1.4 This Agreement is made in accordance with, and subject to the provisions of the *Canada Post Corporation Act*, R.S.C. 1985, c.10 and the Regulations made or continued there under, as amended.

- 1.5 Items meeting the requirements specified in this Agreement will not be subject to Article 26, paragraph 1 "Posting abroad of letter-post items" of the Universal Postal Convention of the 24th Congress held in Geneva.

2.0 DEFINITIONS

- 2.1 In this Agreement, the following terms shall have the corresponding meanings set out below:

[REDACTED]

"Arriving Exchange Office" means the Canada Post Office of Exchange located in Toronto, Ontario, Canada or such other Canada Post Office of Exchange the parties may agree to in writing.

"Customer Guide" means the Customer Guides or other documentation available from Canada Post from time-to-time which describe each of the Services listed in Sections 1.1.1 and 1.1.2, including any amendments thereto and all documents referenced therein (including, but not limited to, the Canada Postal Guide) and any amendments thereto. A copy of such documents is available at www.canadapost.ca/customer_guides or upon request.

"Domestic Entry items" means those mail items sent using the services described in Section 1.1.2 and which meet the applicable Service requirements. Such items (excluding the Business Reply MailTM) are sent by the USPS to Canada and deposited with Canada Post at an approved Canada Post postal facility.

"International Direct Entry items" means those mail items sent using one of the services described in Section 1.1.1 and which meet the applicable Service requirements. Such items are sent by the USPS to Canada from an Originating Exchange Office and deposited with Canada Post at the Arriving Exchange Office, after receiving postal clearance.

"Effective Date" means the date the last party signs this Agreement.

"Originating Exchange Office" means an Office of Exchange located in the United States of America.

"Originator" means the person (e.g., company or other organization) that has intellectual property rights over the mail items (e.g., whose logo/brand may appear on/in the mail items), which are mailed in accordance with this agreement.

"Service(s)" means the Canada Post services, individually or collectively, described in Section 1.1

"Shipment" means each Deposit of items lodged by an Originator with the USPS, which meet the applicable Service requirement.

"Term" means the period set out in Section 9 of this Agreement.

- 2.2 Other terms not specifically defined in this Agreement have the meanings defined in the applicable Customer Guide, the Canada Postal Guide or other Canada Post publication of application to Customers generally.

3.0 GENERAL PROVISIONS FOR INTERNATIONAL DIRECT ENTRY ITEMS

3.1 International Direct Entry Mail

International Direct Entry items mailed under this Agreement shall be treated as domestic items once inducted in the postal system in Canada and shall be delivered in accordance with Canadian service standards.

3.2.1 Preparation, Samples and Deposit of Items Meeting Service Requirements

The USPS shall ensure all items being deposited as a Shipment meet all the conditions for preparation, packaging, addressing and depositing requirements as outlined in this Agreement including in particular those applicable to the Service the Shipment is to qualify for (e.g., the approved Canadian postage indicia for the applicable Service). In accordance with each applicable Customer Guide, the USPS acknowledges it is responsible to provide samples for each Shipment.

Incentive Lettermail™ Guide

<http://www.canadapost.ca/tools/pg/customerguides/CGinplet-e.asp>

The mail preparation requirements for Incentive Lettermail can be found at the following link: <http://www.canadapost.ca/tools/pg/preparation/default-e.asp>

CPC classification requirements for Standard or Non Standard or Incentive Lettermail can be found at the following link: <http://www.canadapost.ca/tools/pg/standards/PSIm-e.pdf>

Incentive Lettermail must be inducted at any Letter Receipt Verification Office in Canada with an Order. The only acceptable proof of payment for Incentive Lettermail is postal indicia. CPC's postal indicia requirements can be found at the following link: <http://www.canadapost.ca/tools/pg/indicia/default-e.asp>

3.3 Contracting Options

Option A (Access to Discounts): The USPS will be responsible to ensure each Originator who wishes to ship items pursuant to this Agreement completes such documentation as Canada Post may require for Publications Mail or Addressed Admail. In particular, each Originator will be responsible to complete and enter into the agreement with Canada Post for the applicable Service(s). Such Agreement with Canada Post will be the same as the standard agreements signed by Canada Post with its domestic customers. The "Bill To" information will identify either the Originator or the USPS and will be determined on a case-by-case basis. The "Bill To" party will be liable for each such Shipment sent under this Agreement, including but not limited to payment and volume obligations. If the Originator is entitled to any rebates, such rebates will be paid directly to the "Bill To" address. Should the USPS be identified as the "Bill To" party, it will be responsible to make the necessary arrangements with the Originator with respect to such rebates.

Option B (No discounts): If the USPS wishes to take full responsibility for each Originator's shipment, it may ship qualifying Publications Mail or Addressed Admail, items under this Agreement at the Applicable Published Prices (e.g., standard non-discounted "published" prices available to Canadian customers). Neither the USPS nor the Originator will be entitled to and both will waive all rights to any rebates or discounts that may otherwise be available. The USPS will be responsible to complete the applicable documentation and use the following customer agreement authorization number (03429792) on documentation along with the Originator's name.

3.4 Details of Dispatch for International Direct Entry Items

3.4.1 The USPS agrees to comply with the dispatch information described in 3.4.2 below for each International Direct Entry Shipment. The USPS shall provide Canada Post with the name and address of the Originator of the International Direct Entry items, and provide the appropriate paperwork relevant to each Shipment being sent using the Electronic Shipping Tools. In the case of Option A of paragraph 3.3, the USPS agrees to include the Originator's name, customer number and agreement number. In the case of Option B of paragraph 3.3, the USPS agrees to include the Originator's name and customer agreement authorization number. The USPS shall also indicate its customer number 03429792 as the "Mailed By" and "Paid By" party in the relevant documentation.

3.4.2 Dispatch Information, Labels and Bills

3.4.2.1 Use of Specific Dispatches for International Direct Entry items

- a) Specific dispatch types assigned by the UPU, such as AUH for items requiring priority airmail treatment in Canada and CUH for items requiring non-priority treatment in Canada (Addressed Admail and Publications Mail are non-priority services in Canada. CUH is required for these items.)
- b) All dispatches must be documented electronically in the UPU PREDES message format using AUH or CUH coding as noted in 3.4.2.1 (a) above.
- c) Each pallet or receptacle will bear a CN35 receptacle label with a PREDES message compatible barcode.

3.4.2.2 Exchange Office

International Direct Entry items from the USPS may be dispatched to the:

- Montreal Exchange Office using the CAYMQA code
- Toronto Exchange Office using the CAYTOA code
- Vancouver Exchange Office using the CAYVRA code.

3.4.2.3 Labels and Bills for International Direct Entry Items

Dispatches of International Direct Entry items must conform to UPU requirements for receptacle labels.

USPS and Canada Post do not exchange paper documents, therefore, Letter Bills will not be enclosed with the dispatches.

The practice of sequentially numbered dispatches, sequentially numbered receptacles, total dispatch weight via PREDES is required. Note that International Direct Entry shipments must not be documented on commercial air waybills.

Canada Post's Electronic Shipping Tools must be used for all customer manifesting and International Direct Entry mailings. A physical copy of the Electronic Shipping Tool documentation must be attached to each pallet or receptacle.

3.5 Processing stream

The type of mail containerization/receptacle, as well as the receptacle disposition and returns, shall be as provided for in the applicable Customer Guide and related documents unless otherwise mutually agreed to.

3.6 Electronic message exchanges

3.7 Mailings that do not meet Applicable Requirements

Please replace the above with: The following replaces Section 5 (5.1 – 5.5) in the applicable Communications Guide and Section 8.3.5 in the Parcel Services Guide, under the General Terms and Conditions section entitled “Criteria for Qualification”:

International Direct Entry mailings presented for mailing to CPC may be verified to determine compliance with the applicable terms and conditions.

In the event that Canada Post determines any item or mailing is not in compliance with the requirements for the designated type of service set out in the Agreement (or with the *Canada Post Corporation Act and Regulations*), Canada Post will discuss with the USPS alternatives including:

- (a) how to make the order documentation and/or Shipment compliant; and
- (b) the prices, surcharges and/or handling fees applicable based on the level of mail preparation and other requirements. In all cases the USPS will be responsible for such prices, surcharges and/or handling fees as may be applicable and agreed to.

Canada Post, at its discretion, may refuse to accept the item(s) or mailing that do not meet the applicable requirements for deposit.

3.8

4.0 GENERAL CONDITIONS FOR DOMESTIC ENTRY ITEMS

4.1 Contracting Options (Unaddressed Admail)

Option A (Access to Discounts): The USPS will be responsible to ensure each Originator who wishes to ship items pursuant to this Agreement completes such documentation as Canada Post may require for Unaddressed Admail. In particular, each Originator will be responsible to complete and enter into the agreement with Canada Post for the applicable Service(s). Such Agreement with Canada Post will be the same as the standard agreements signed by Canada Post with its domestic customers. The “Bill To” information will identify either the Originator or the USPS and will be determined on a case-by-case basis. The “Bill To” party will be liable for each such Shipment sent under this Agreement, including but not limited to payment and volume obligations. If the Originator is entitled to any rebates, such rebates will be paid directly to the “Bill To” address. Should the USPS be identified as the “Bill To” party, it will be responsible to make the necessary arrangements with the Originator with respect to such rebates.

Option B (No Discounts): If the USPS wishes to take full responsibility for each Originator's shipment, it may ship qualifying Unaddressed Admail items as per the Canada Postal Guide (available at www.canadapost.ca/postalguide) at the Applicable Non-Contract Published Prices. Neither the USPS nor the Originator will be entitled to and both will waive all rights to any rebates or discounts that may otherwise be available.

4.2 General Provisions for [REDACTED] Items

- 4.2.1 [REDACTED] items shipped under this Agreement must meet all requirements for mail being "shipped within Canada". Domestic requirements for [REDACTED] are outlined in the CPC Parcel Services Customer Guide. Such items shall be treated as domestic items once inducted in the postal system in Canada by the USPS (or its agent acting on its behalf) and shall be delivered in accordance with the applicable Canadian domestic service standards.

The application of a work sharing discount associated with the automation of the shipment documentation process, however, will be contingent upon the U.S. Postal Service compliance with Canada Post requirements for [REDACTED] software and item level bar codes to generate electronic billing information within Canada Post.

4.2.2 Preparation, Samples and Deposit of Items Meeting Service Requirements

The USPS shall ensure all items being deposited as a Shipment meet all the conditions for preparation, packaging, addressing and depositing requirements as outlined in CPC Parcel Services Customer Guide

<http://www.canadapost.ca/cpo/mc/business/productsservices/shipping/parcelservicescustomerguide.jsf> CPC domestic conditions include in particular those applicable to the Service the Shipment is to qualify for (e.g., the approved Canadian postage indicia for the applicable Service). In accordance with each applicable Customer Guide, the USPS acknowledges it is responsible to provide samples for each Shipment.

In particular, and within a timeframe to be mutually agreed between CPC and the U.S. Postal Service, all shipments will be expected to conform to the following conditions:

- 1) each shipment will be accompanied by electronic shipment manifest data that is compliant with Canada Post's Electronic Shipping Tool (EST) requirements; and
- 2) individual postal items must have a single return address in Canada.

Parcel Services Customer Guide

<http://www.postescanada.ca/cpo/mc/business/productsservices/shipping/parcelservicescustomerguide.jsf>

4.2.3 Induction Deposit Points for [REDACTED] Items

The USPS, or its agent, acting on its behalf, shall deposit all [REDACTED] items at any Receipt Verification Office in Canada.

4.2.4 Return Service within Canada for [REDACTED] Items

All items will bear the Canadian Return Address (belonging to a commercial vendor who will facilitate returns to USPS). The cost for returns in Canada shall be borne by the USPS unless such items have been postage paid by the party sending the return item.

5.0 PRICES, SETTLEMENT AND ACCOUNTING

5.1 Prices

The prices for services offered under this Agreement are as follows:

- 5.1.1 [REDACTED] provides to the USPS a separate price sheet outlining base prices and other applicable charges. The pricing [REDACTED] is based on volume commitment of [REDACTED] pieces per year and on compliance with the requirement for preparation and deposit of items described above. The pricing is specified [REDACTED]. During the Term of this Agreement, the prices applicable to each [REDACTED] mailing deposited by the USPS in accordance with this Agreement shall be calculated based on this Price Sheet, as it may be amended from time-to-time. The Customer Guide contains provisions for notice of changes to the price sheet.

Notwithstanding the usual price notifications that are sent from Canada Post from time-to-time adjusting prices for each customer, including the USPS, based on their then current volume commitment level and product preparation compliance, Canada Post will in advance of any such notification, do the following:

- i) determine the number of [REDACTED] items sent by the USPS in the 12-month period leading up to the notification date;
- ii) compare this number to the then current the USPS annual commitment level;
- iii) if the actual number of items exceeds the commitment level, notify a new higher commitment level with prices adjusted according to CPC domestic business practice; and
- iv) if the actual number of items is below the commitment level and/or product preparation compliance is proving to be an ongoing issue, notify an equivalent or lower commitment level with prices adjusted in the latter case, according to CPC business practice.

5.1.2 [REDACTED]

5.1.3 [REDACTED]

- 5.1.4 For all other Services not described above, the prices applicable to each mailing deposited under this Agreement shall be the Applicable Published Prices for such service.

5.2 **Transfer of Funds**

All payments due as a result of this Agreement shall be paid within [REDACTED] of invoice. The USPS shall transfer funds to the applicable USPS account held with Canada Post to cover such amounts. [REDACTED].

5.3 **Time to Dispute**

The USPS shall have [REDACTED] from the invoice date to dispute Canada Post's charges. In the event of such a dispute, the USPS must still make timely payment to cover the undisputed balance of the invoice. The Administrations shall work together to resolve any dispute to their mutual satisfaction.

5.4 **Payment Terms**

Except as otherwise provided for in this Agreement, all provisions relating to payment shall be as provided for in the applicable Agreement for the Services.

6.0 **CONFIDENTIALITY**

The terms of this Agreement are strictly confidential and shall not be made public or accessed by third parties without the prior written consent of authorized representatives from both parties.

7.0 GENERAL TERMS AND CONDITIONS

7.1 Authorized Users

All references to Authorized Users in the Agreement (e.g., Customer Guide) shall be deemed eliminated. The USPS is not entitled to designate any Authorized Users under this Agreement.

7.2 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of Ontario and the laws of Canada applicable therein. In the event of dispute, the matter shall be adjudicated in Ontario, by an Ontario court of competent jurisdiction.

7.3 Notices

The following replaces Notices section of the Customer Guide (Section 8.22 in Communications Guide and Section 7.2.23 in Parcel Services Guide):

- a) Except as otherwise provided for in this Agreement, any notice given by either party shall be in writing and delivered, sent by trackable postal mail service requiring signature upon delivery representing acceptance by the receiving party. Notices regarding operational and implementation issues may also be sent by e-mail.
- b) Amendments made to the Customer Guide or Canada Postal Guide by Canada Post may be sent to the USPS via e-mail or by hard-copy to the USPS contact listed below.

Notices shall be sent to Canada Post at:

AGREEMENT MONITORING
CANADA POST CORPORATION
2701 RIVERSIDE DR SUITE C0157
OTTAWA ON K1A 0B1

General Contact

Contact name:

Address:

Canada Post
2701 Riverside Drive
Ottawa ON K1A 0B1
Canada

Email:

Phone #

Fax #

Implementation and Operational Issues

Contact name:

Address:

2701 Riverside Drive,
Ottawa ON K1A 0B1
Canada

e-mail:

Phone:

Fax:

Canada Post Price and Service Information

Contact name:

Address:

Canada Post

Canada

e-mail:

Phone #

Fax #

Notices shall be sent to the USPS at:

THE UNITED STATES POSTAL SERVICE

General Contact

Contact name:

Janice Gould Alodah
Program Manager, International Postal Affairs
United States Postal Service
475 L'Enfant Plaza SW Room 1P830
Washington, DC 20260-4017
USA

Phone:

202-268-2571

Fax:

202-268-6016

Email:

janice.gould.alodah@usps.gov

Implementation/Operational Issues and Price/Service Information

Contact name:

Barry E. Burns
International Product Manager
United States Postal Service
475 L'Enfant Plaza SW Room 2P004
Washington, DC 20260-4017
USA

Phone:

(202) 268-4624

Fax:

(202) 268-0089

Email:

barry.e.burns@usps.gov

7.4 Ownership of Mail

The following replaces the "Ownership of Mail" provision in the applicable Communications Customer Guides (Section 8.24):

The United States Postal Service agrees that items posted under this Agreement will be deposited only on behalf of an Originator.

7.5 Termination

The following replaces the "Termination" provision of the Customer Guide (Section 8.21 in the Communications Services Customer Guides and Section 7.2.22 in the Parcel Services Customer Guide):

Either the United States Postal Service or Canada Post may terminate the Agreement, or any service, at any time, without cause, by giving ninety (90) calendar days notice in writing to the other. Canada Post may immediately terminate the Agreement upon written notice to the United States Postal Service if the United States Postal Service continues to be in default of any of its material obligations for ninety (90) days after being provided

with notice of the default and not having remedied the default within the ninety (90) day period.

Termination of the Agreement shall be without prejudice to any rights of the United States Postal Service or Canada Post that have accrued prior to the date of termination.

Neither party shall have a right to damages as a result of termination of the Agreement.

8.0 Entire Agreement and Amendment

- 8.1 This Agreement, including Annexes 1 [REDACTED] and any other document or portion thereof specifically referenced herein or in the Customer Guides, embodies the entire Agreement for the provision of the Services between the Parties and no representations, negotiations, or conditions either verbal or written shall bind the Parties except as expressly set out in this Agreement. This Agreement supersedes and invalidates all other agreements relating to the subject matter hereof which may have been made by the Parties either orally or in writing prior to the date hereof, including without limiting the foregoing, any non-disclosure or confidentiality agreements but does not invalidate any outstanding payment obligations arising under any such prior agreements.
- 8.2 This Agreement is a commercial agreement that is binding only upon CPC and the USPS and not upon their respective national governments. This Agreement may only be altered, amended, or extended by mutual consent, by means of correspondence between officials of Canada Post or the United States Postal Service who have been authorized to make such alterations or amendments. Any such amendments must be agreed to in writing.
- 8.3 This Agreement shall be deemed to have been signed on the same date as, and by the same representatives of the parties who signed, the Canada Post Corporation – United States Postal Service Contractual Bilateral Agreement. However, as a specific agreement attached to the latter agreement, this Agreement sets out its own terms and conditions and shall be interpreted as a complete agreement in itself without reference to the terms and conditions of the agreement to which it forms an attachment.

9.0 Agreement in Force

- 9.1 The Effective Date of this Agreement shall be January 1, 2012 and shall have effect until December 31, 2013. This Agreement shall be automatically extended for one (1) year (December 31, 2014), if no termination notice is given from one of the two Parties.

ANNEX 1

For 2012, the rate sheet is attached.

Pricing for [REDACTED] with [REDACTED] notification prior to price change.

- [REDACTED]

SEE ATTACHED

ATTACHMENT 5

TERMS FOR SHARED SURFACE TRANSPORTATION COSTS

The Parties agree that the costs for any surface transportation contract or service used to carry mail [REDACTED]. It is understood that this agreement [REDACTED].

If either Party decides to cancel such a surface transportation contract [REDACTED], they must provide the other Party with advance notice, consistent with the terms of the contracts, [REDACTED], to make other preparations.

If the contract or service [REDACTED] the Party originating the contract or service.

Monthly invoices for [REDACTED] will be reviewed by both parties and payment [REDACTED] will be reconciled on a quarterly basis.

ATTACHMENT 6

CONFIDENTIALITY PROVISIONS

All references in these provisions to "this Agreement" shall mean the agreement to which these provisions are attached.

1. The Parties agree that the Agreement of which this Attachment forms a part contains "Confidential Information". Further, the Parties agree that negotiations concerning modification or renewal of the rates, terms, and conditions that represent Confidential Information shall remain confidential and subject to the provisions of this Attachment. The Parties also agree that any personal information about an identifiable individual (including, but not limited to, the name and address of an individual) provided to it by the other Party or obtained by the other Party in providing services under this Agreement is "Confidential Information". With respect to all other information, the Parties agree that no obligations shall arise with respect to information not in writing and appropriately marked as "Protected", "Confidential", "Proprietary" or with a mark having a similar meaning. Each Party, as Disclosing Party, further agrees that information disclosed under this Agreement or related to this Agreement shall only be subject to these confidentiality provisions if the Disclosing Party reduces it to a written document that is appropriately marked as "Protected", "Confidential", "Proprietary" or with wording having a similar meaning, and provided to the other Party, as "Receiving Party" either at the time of its initial disclosure or if disclosed orally, within ten (10) business days after the initial oral disclosure. All information so identified and disclosed (the "Confidential Information") to a Party, as Receiving Party, shall be held in confidence by the Receiving Party and may not be released by the Receiving Party to third parties or used outside of the stated purposes of this Agreement, except to the extent paragraphs 5, 6, 7, 8, 9, and 10 of this Attachment are applicable, unless such disclosure or use is authorized in writing by an authorized representative of the Disclosing Party.

2. Each Party, as Receiving Party, agrees that the Confidential Information that the other Party discloses to it under this Agreement shall be held in confidence during the period that covers the Term of this Agreement and three (3) years thereafter. During that period, neither Party, as Receiving Party, shall disclose or use the other Party's Confidential Information outside of the intended purposes of this Agreement unless written consent is first obtained from the Disclosing Party, or unless the Receiving Party is no longer obligated to hold in confidence the information for the reasons specified in paragraphs 5, 6 or 7. All employees, agents or consultants of a Party, as Receiving Party, who are required to come into contact with the other Party's Confidential Information shall be notified of its confidential nature and shall be required by the Receiving Party to be bound by confidentiality provisions applicable to this Agreement, but not necessarily expressly applicable, and no less stringent than those set out in this Agreement.

3. Each Party shall provide the same care to avoid disclosure or unauthorized use of the other Party's Confidential Information as it would provide to maintain the confidentiality of its own confidential information, but in no event less than reasonable and prudent care. Each Party, as Receiving Party, agrees not to reproduce in any form or to distribute or sell, except as required in conjunction with the stated purposes of this Agreement, the Confidential Information of the other Party. Each Party shall retain the other Party's Confidential Information in a secure place that may be accessed only by those of its employees, agents, and consultants who need to know such information for the purposes of this Agreement.

4. Upon demand by the Disclosing Party, the Receiving Party shall promptly return, or provide evidence of destruction of, all the Disclosing Party's Confidential Information and copies thereof except that one (1) copy may be retained for record purposes.

5. The Receiving Party shall be under no obligation to hold in confidence any Confidential Information that:

- a. is publicly available (other than as a result of a breach of this Agreement) at the time that the Receiving Party proposes to disclose it;
- b. was known to the Receiving Party prior to the time of the disclosure by the Disclosing Party;
- c. is properly received by the Receiving Party on a non-confidential basis from any third party with respect to whom the Receiving Party has no reason to suspect other than that the third party is lawfully entitled to make such disclosure;
- d. is required by an order by a court (subject to paragraph 6), legislative body, or regulatory authority to be disclosed because of an express determination that the information is not a trade secret, or privileged or confidential commercial or financial information; or
- e. the Receiving Party can demonstrate was independently developed by it without breach of this Agreement.

6. If a court or tribunal of competent jurisdiction orders the Receiving Party to disclose any of the Disclosing Party's Confidential Information, including that which may be contained in this Agreement, then the Receiving Party shall immediately notify the Disclosing Party. If the Disclosing Party elects to oppose such order, the Disclosing Party shall immediately inform the Receiving Party by notice to that effect. If the Disclosing Party so requests, the Receiving Party shall assist the Disclosing Party in opposing such order to the extent consistent with its management's policies. Where it is not consistent with the Receiving Party's management policies to oppose such order, Receiving Party shall inform Disclosing Party by notice to that effect and consult with Disclosing Party before making a final decision with respect to opposing the order. If the Disclosing Party elects at any time to abandon its active opposition to such order, the Disclosing Party shall immediately inform the Receiving Party by notice to this effect and the exception set out in paragraph 5(d) shall, from the time of receipt of such notice, take effect.

7. The Receiving Party may release Confidential Information, including that which may be contained in this Agreement, requested by or required to be provided by the rules of any federal, state, provincial or local government body in the proper exercise of any oversight or investigatory jurisdiction or other authority. However, in all such circumstances, the Receiving Party shall advise the body to whom the Confidential Information is to be released by notice in writing that it is Confidential Information and accordingly it should be held in confidence.

8. The United States Postal Service may release Confidential Information if such release is required by the *Freedom of Information Act*, 5 U.S.C. § 552 ("FOIA"). Before any release under FOIA, the United States Postal Service will provide Canada Post with prompt written notice of the requirement to release the Confidential Information. If any request is made under FOIA that would involve potential release of any Confidential Information of Canada Post that is in the United States Postal Service's possession, the United States Postal Service shall:

- a. assert the applicability of Exemption 4 or such other Exemption as the USPS deems appropriate, to the extent the invocation of any Exemption is consistent with U.S. federal law, and
- b. the United States Postal Service shall promptly advise Canada Post of any information it requires from Canada Post in order to support the Exemption argument(s).

However, nothing in this Article is intended to limit the United States Postal Service's obligations under FOIA and the United States Postal Service's regulations implementing FOIA, including the United States Postal Service's discretion to determine whether the requested information is required to be released under FOIA. In addition, nothing in this Article is intended to modify United States Postal Service rules in Title 39, Code of Federal Regulations, section 265.8, concerning procedures to be followed when responding to FOIA requests for business information received from parties outside the United States Postal Service. In the event that the United States Postal Service or a competent judicial body determines that Confidential Information in question or any part of it is not exempt from release under FOIA, the United States Postal Service shall also promptly advise Canada Post of the steps that the United States Postal Service itself would take in similar circumstances to prevent further disclosure of the Confidential Information beyond the required disclosure under FOIA.

9. Canada Post may release Confidential Information if such release is required by the *Access to Information Act*, R.S.C.1985, c. A-1 ("ATIA"). Before any release under the ATIA, Canada Post will provide the United States Postal Service with prompt written notice of the requirement to release the Confidential Information. If any request is made under the ATIA that would involve potential release of any Confidential Information of the United States Postal Service that is in Canada Post's possession, Canada Post shall:

- a. assert the applicability of Section 20 or such other Exemption as Canada Post deems appropriate, to the extent the invocation of any Exemption is consistent with Canadian federal law, and
- b. Canada Post shall promptly advise the United States Postal Service of any information it requires from the United States Postal Service in order to support the Exemption argument(s).

However, nothing in this Article is intended to limit Canada Post's obligations under the ATIA and its regulations, including Canada Post's discretion to determine whether the requested information is required to be released under the ATIA. In the event that Canada Post or a competent judicial body determines that Confidential Information in question or any part of it is not exempt from release under the ATIA, Canada Post shall also promptly advise the United States Postal Service of the steps that Canada Post itself would take in similar circumstances to prevent further disclosure of the Confidential Information beyond the required disclosure under the ATIA.

10. Each Party, as Receiving Party, shall observe confidentiality obligations, no less stringent than those set out in this Agreement, in each sub agreement under which there is any possibility of disclosure of the other Party's Confidential Information.

11. Canada Post Corporation and the United States Postal Service shall protect, indemnify, save harmless, and defend each other from and against all losses, liabilities, obligations, claims, penalties, costs, and expenses (including, without limitation, reasonable attorneys' fees and expenses) resulting from the indemnifying Party's use of other Party's Confidential Information for purposes other than those specified in this Agreement.

12. The Receiving Party shall not be obligated to compensate the Disclosing Party for Confidential Information and the Receiving Party acknowledges and understands that no representations or warranties of any kind, including, without limitation, fitness for a particular purpose, merchantability, and non-infringement, are given by the Disclosing Party with respect to the Disclosing Party's Confidential Information.

13. Nothing in this Agreement shall be deemed to create, either express or implied, the power in either Party to bind the other. Neither Party shall be bound by the actions of the other, be liable for the debts of the other, or have a right to share in the profits of the other. This Agreement is not intended to be a joint venture, partnership, or other formal business

organization, and neither Party is under any obligation to enter into any further agreement with, or make any additional compensation to, the other Party.

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ATTACHMENT 7
JOINT MARKET AND PRODUCT DEVELOPMENT

The Parties agree to work together to develop products for growth opportunities in the North American market. The Parties will target a small number of specific product development initiatives that will be implemented during the term of this bilateral agreement.

The Parties agree to form a team (USPS & CPC) to work on requirements to meet the Parties' mutual needs, devise a plan and timeline for the project according to the implementation targets agreed below, followed by assessment, technical development, testing and implementation.

The Parties agree to develop and implement the following unique initiatives:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]